

Message Text

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C O N F I D E N T I A L LISBON 6282

E.O. 11652: GDS
TAGS: EAGR, PINT, PO
SUBJECT: AN AGRARIAN NEW DEAL FOR PORTUGAL

REF: (A) LISBON6273
(B) LISBON 6234 (DTG 111627Z AUG 77)

SUMMARY: THE AGRARIAN REFORM LAW APPROVED AUGUST 10 IS
DIRECTED PRIMARILY AT THE COMMUNISTS. THE LEGISLATION
CLEARS THE WAY FOR A TWO-PRONGED OFFENSIVE AGAINST PCP-
DOMINATED COLLECTIVES IN THE RURAL ALENTEJO. THE PCP
MUST FACE THE PROSPECT OF STEPPED UP PRESSURE FROM THE
GOVERNMENT WHILE ATTEMPTING TO RESIST THE FORMATION OF
OFFICIALLY-BACKED BREAK-AWAY COOPERATIVES. UNCERTAINTY
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IN THE RURAL SECTOR WILL DELAY AN IMPROVEMENT IN THIS
YEAR'S DISAPPOINTING PRODUCTION LEVELS. END SUMMARY.

1. REF A REPORTED ON THE PROVISIONS OF THE AGRARIAN
REFORM LEGISLATION APPROVED ON AUGUST 10. THIS CABLE
PROVIDES PRELIMINARY COMMENTS ON THE IMPLICATIONS OF THE LAW.

2. TAKING IT TO THE PCP: THE COMMUNISTS HAVE GOOD REASON TO BE WORRIED. THE LAW IS DIRECTED PRIMARILY AT THEM. IT IS DESIGNED TO END THE HEGEMONY THEY HAVE EXERCISED IN THE RURAL ALENTEJO THROUGH COLLECTIVES DOMINATED BY THE PCP-CONTROLLED AGRICULTURE WORKERS UNIONS. PRINCIPAL FEATURES OF THE LAW WHICH WILL HURT THE COMMUNISTS INCLUDE:

- THE BROAD DISCRETIONARY POWERS GIVEN TO THE AG MINISTER. PRINCIPAL AMONG THEM IS THE AUTHORITY TO DETERMINE THE SIZE OF FARMING UNITS AND TO CONTROL ACCESS TO OFFICIAL CREDIT.
- ENLARGEMENT OF THE SIZE OF THE BASIC FAMILY FARM EXEMPT FROM EXPROPRIATION UNDER THE LAW.
- EXPANSION OF THE "RESERVE" CONCEPT, INCREASING BASIC SIZE, AND GUARANTEEING FAMILY-SIZE PARCELS TO EACH OF SEVERAL CO-OWNERS. RESERVE AREA MUST NOW BE DESIGNATED PRIOR TO TAKING OF LAND BY THE GOVERNMENT.
- EXTENSION OF THE LAW TO INCLUDE SMALL HOLDINGS, PRINCIPALLY IN THE CONSERVATIVE NORTH, WILL PERMIT A MORE EQUITABLE REGIONAL DISTRIBUTION OF STATE RESOURCES DEVOTED TO THE AGRARIAN SECTOR.

3. HOW IT WILL BE DONE: THE NEW LEGISLATION CLEARS THE WAY FOR A TWO-PRONGED OFFENSIVE AGAINST PCP-DOMINATED COLLECTIVES.

- THE EXTERNAL THREAT: THE AGRICULTURE MINISTRY HAS ALMOST UNLIMITED LEGAL AUTHORITY TO DISMANTLE PCP COLLECTIVES. THEY CAN BE DIVIDED FOR REASONS OF ECONOMIC EFFICIENCY; THEY CAN BE REDUCED IN SIZE THROUGH THE RETURN OF RESERVE AREAS TO FORMER OWNERS; THEY CA

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BE DENIED ACCESS TO GOVT CREDIT AND TECHNICAL ASSISTANCE.

- THE ENEMY WITHIN: THE COLLECTIVES CAN BE REDUCED THROUGH THE FORMATION OF BREAK-AWAY COOPERATIVES. THE GOVT HAS ALREADY SHOWN ITS WILLINGNESS TO SUPPORT SUCH COOPERATIVES AND THE SOCIALISTS ARE CLEARING THE WAY TO PRESS THE ADVANTAGE. ALMOST SIMULTANEOUSLY WITH THE FINAL PASSAGE OF THE GOVERNMENT'S AGRARIAN REFORM LAW, 53 COOPERATIVES IN THE DISTRICT OF BEJA ANNOUNCED THEIR DISAFFILIATION FROM THE UNIFIED COOPERATIVE MOVEMENT (MUC) AND THE FORMATION OF A NEW FEDERATION OF FREE COOPERATIVES OF THE LOWER ALENTEJO (COBA) THE MOVE, ENGINEERED BY THE SOCIALIST PARTY LEADERSHIP, IS DESIGNED TO CUT LINKS WITH FORMER AGRICULTURE MINISTER LOPES CARDOSO WHO STILL RETAINS AN IMPORTANT VOICE IN THE MUC LEADERSHIP.

4. THE SUMMER CALM: THE ONSET OF THE SUMMER VACATION PERIOD AND THE NEED TO DRAW UP IMPLEMENTING REGULATIONS FOR THE NEW LEGISLATION REDUCES THE LIKELIHOOD OF AN EARLY CONCERTED EFFORT BY THE AUTHORITIE S

TO MOVE AGAINST THE PCP COLLECTIVES. WHEN THE AUTHORITIES DO MOVE, PROBABLY IN THE FALL, IT IS LIKELY TO BE ON A CASE-BY-CASE BASIS. THIS APPROACH WILL REDUCE THE LIKELIHOOD OF MAJOR CONFRONTATION IN TH

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ALENTEJO BUT IT WILL ALSO GIVE THE PCP MORE TIME TO PREPARE ITS
RESISTANCE.

5. NO RECOVERY IN SIGHT: THE GOVERNMENT HAS CAPTURED THE INITIATIVE
IN THE RURAL ZONE. BUT EVEN UNDER THE BEST OF CIRCUMSTANCES, THE
UNCERTAINTY IN THE RURAL SECTOR DURING THE COMING CROP SEASON WILL
FURTHER DELAY A RECOVERY FROM THE DISAPPOINTINGLY LOW PRODUCTION
LEVELS FOR THE CURRENT YEAR.

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